

CANDIDATE
NAME

CENTRE
NUMBER

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CANDIDATE
NUMBER

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ACCOUNTING

9706/32

Paper 3 Structured Questions

February/March 2019

3 hours

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains all the sources referred to in the questions.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

International accounting terms and formats should be used as appropriate.

Workings should be shown.

You may use a calculator.

This document consists of **23** printed pages, **1** blank page and **1** Insert.

- (b) State **two** differences between an income and expenditure account and a receipts and payments account.

1

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..... [2]

- (c) Prepare the statement of financial position at 30 June 2018.

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Additional information

At 1 July 2017 the following balances for the restaurant were available.

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Inventory		15 700
Trade payables		13 900

(d) Calculate the restaurant cash surplus or deficit for the year ended 30 June 2018.

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..... [4]

Additional information

The club plans to improve the clubhouse next year at a cost of \$50 000. The chairman is considering financing the improvement by either members' loans or taking a bank loan.

(e) Evaluate whether the club should finance the improvement by members' loans or take a bank loan. Justify your answer.

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[Total: 25]

2 Read Source A2 in the Insert.

(a) Calculate the working capital cycle in days.

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Additional information

The company allows its customers 60 days credit.

The company is allowed 30 days credit by its suppliers.

The inventory turnover ratio for the previous year was 104 days.

The net working assets to revenue ratio has risen from 27.85% to 32.74%.

Trade payables had fallen and trade receivables had risen since 31 March 2017.

(b) Analyse the liquidity of F Limited.

[5]

(c) Analyse the change in the net working assets to revenue ratio of F Limited.

[6]

Additional information

Blair, an investor, wishes to invest in either F Limited or a competitor, C Limited. The market value of one ordinary share in both companies is \$1.50.

Blair's main requirement is a regular income from the investment.

Relevant information for the two companies is as follows:

	F Limited	C Limited
Gearing	20%	25%
Earnings per share	\$0.18	\$0.21
Dividend cover	3 times	4 times
Dividend per share	\$0.09	\$0.12

(d) Advise Blair in which company he should invest. Justify your answer.

[9]

[Total: 25]

3 Read Source A3 in the Insert.

(a) Calculate the value of the closing inventory.

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(b) Prepare the following accounts in the books of account of SH Limited.

(i) Consignment account

[7]

(ii) Maureen account

[5]

(c) Calculate the profit per container.

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(d) Explain what the closing balance on Maureen account represents.

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(e) Explain **two** differences between a consignment and a joint venture.

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[Total: 25]

4 Read Source A4 in the Insert.

- (a) (i)** State why a bonus issue of shares would not be recorded in a statement of cash flows.

[1]

- (ii) Name **one** financial item, other than a bonus issue of shares and a transfer to general reserve, which would **not** be recorded in a statement of cash flows.

..... [1]

- (b)** Prepare the non-current assets schedule for the year ended 31 December 2018 for inclusion in the notes to the financial statements of the company. A total column **is** required.

[9]

[9]

Additional information

The directors are considering publishing a cash budget instead of preparing a statement of cash flows in the future.

(d) Advise the directors whether or not to proceed with this change. Justify your answer.

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[Total: 25]

Section B: Cost and Management Accounting

Answer **all** questions

5 Read Source B1 in the Insert.

(a) Calculate the cost per unit for **each** product using absorption costing.

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[3]

Additional information

A newly recruited management accountant suggests that B Limited should adopt activity based costing (ABC). He has provided an analysis of fixed overheads as follows:

	Cost \$	Cost driver	Annual quantity
Materials requisition	90 000	Number of material requisitions	75
Machine set up	240 000	Number of setups	60
Inspection	150 000	Number of inspection hours	5000
	<u>480 000</u>		

Budgeted use of cost driver for each product for June 2019 is as follows:

	Premier	Standard
Number of material requisitions	2	6
Number of setups	2	3
Number of inspection hours	120	320

(b) Explain the meaning of the term 'cost driver'.

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[2]

(c) State **two** advantages and **three** disadvantages of ABC.

Advantage 1

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Advantage 2

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Disadvantage 1

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Disadvantage 2

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Disadvantage 3

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[5]

(d) Calculate the cost per unit for **each** product if ABC is adopted.

[illegible]

Workings:

Additional information

The selling price of **each** product is cost plus 40%.

(e) (i) Calculate the selling price of **each** product using absorption costing.

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(ii) Calculate the selling price of **each** product using ABC.

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(iii) Explain, using suitable calculations, why your answers in **(i)** and **(ii)** are different.

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[Total: 25]

6 Read Source B2 in the Insert.**(a)** Calculate the following variances for the month of September.**(i)** Material price

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(ii) Material usage

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(iii) Labour rate

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(iv) Labour efficiency

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(b) Suggest **one** possible cause for **each** of the variances calculated in **(a)**.

Material price variance

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Material usage variance ,

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Labour rate variance

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Labour efficiency variance

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..... [4]

(c) Calculate the following variances for the month of September.

(i) Fixed overhead expenditure

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(ii) Fixed overhead volume

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Additional information

For the month of October, Jack has calculated an adverse fixed overhead volume variance.

- (d) Explain how October's fixed overhead volume variance can be further analysed to provide Jack with more information about the performance of the business.

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(e) State **two** advantages and **two** disadvantages to Jack of using standard costing system.

Advantage 1

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Advantage 2

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Disadvantage 1

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Disadvantage 2

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[4]

[Total: 25]

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